

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 PM-04 NSC-05 SP-02 SS-15 CIAE-00 INR-07

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R 171417Z MAR 76

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 7787

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

DOD WASHDC

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DOD FOR ASST. SECD DEF. FOR INSTALLATIONS AND LOGISTICS SHRONTZ

E.O. 11652: N/A

TAGS: MASS, NL, US

SUBJECT: F-16 STATUS REPORT

REF: (A) THE HAGUE 0992; (B) 0795; (C) 75 HAGUE 5852

(D) THE HAGUE 0957

1. THE F-16 PROGRAM IN THE NETHERLANDS IS PROGRESSING WELL AND APPEARS TO HAVE GOOD SUPPORT FROM THE GON. DEFENSE MINISTER VREDELING TOLD THE SECOND CHAMBER STANDING COMMITTEES FOR DEFENSE AND ECONOMIC AFFAIRS ON FEB 26 THAT SO FAR THERE HAVE BEEN NO MAJOR DEPARTURES FROM THE OFFSET PROGRAM AND THAT THE GON STILL BELIEVED DUTCH INDUSTRY COULD PARTICIPATE AT COMPETITIVE PRICES.

2. DUTCH AIR FORCE IS GIVING ITS WHOLEHEARTED SUPPORT AND FROM A MILITARY POINT OF VIEW THE PROGRAM IS GOING VERY WELL. AIR FORCE BELIEVES THAT MOST OF CURRENT
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DIFFICULTIES BESETTING F-16 PROGRAM WILL BE RESOLVED ONCE

CONTRACT NEGOTIATIONS ARE CONCLUDED IN ABOUT TWO MONTHS.

3. NEGOTIATIONS BETWEEN U.S. SUPPLIERS AND DUTCH CO-PRODUCERS HAVE NOW REACHED THE PRICE STAGE, AGREEMENTS HAVING ALREADY BEEN HAMMERED OUT ON MOST OTHER OUTSTANDING ISSUES. AT THE PRESENT TIME, CHIEF STUBMLING BLOCKS ARE DELAYS IN DEFENSE CONTRACT AUDITING AGENCY PRICE CERTIFICATION, WHICH MUST BE COMPLETED BEFORE ENTERING INTO PRICE NEGOTIATIONS, AND INCORPORATION OF TERMS AND CONDITIONS CHANGES AGREED TO BY STEERING COMMITTEE INTO USG CONTRACT WITH PRIME CONTRACTORS. U.S. SUPPLIERS AND DUTCH CO-PRODUCERS WILL BE ABLE TO COMPLETE TERMS AND CONDITIONS PHASE OF NEGOTIATIONS ONLY WHEN THIS IS DONE. STEERING COMMITTEE WILL MEET END OF MARCH TO DEFINE "REASONABLE COMPETITIVE", AND THIS SHOULD ACCELERATE NEGOTIATING PROCESS BY ELIMINATING PROPOSALS THAT ARE CLEARLY NOT "REASONABLE COMPETITIVE". IN ANY CASE, LOCAL GENERAL DYNAMICS (GD) EXPECTS MOST CONTRACTS TO BE SIGNED DURING SECOND QUARTER CY76.

4. MAJOR PROBLEM AFFECTING F-16 PROGRAM IN THE NETHERLANDS IS BAD PRESS RESULTING FROM LABOR UNIONS' EXPRESSED DISAPPOINTMENT OVER APPARENT SHRINKAGE OF LABOR MAN YEARS FLOWING FROM EFFECT. UNIONS HOLD THAT VREDELING SAID, AT TIME F-16 SELECTED, THAT EMPLOYMENT WOULD AMOUNT TO ABOUT 25,000 MAN YEARS, WHEREAS THEIR OWN ESTIMATES ARE CURRENTLY AT 12,250 MAN YEARS. FREQUENT PRESS ARTICLES HAVE APPEARED PRESENTING THE LABOR UNIONS' VIEWPOINT, OFTEN IMPLYING THAT THE USG AND/OR GD ARE NOT RPT NOT FULFILLING THEIR SIDE OF THE BARGAIN. MOST RECENT ARTICLE SUGGESTS THAT GON SHOULD NOT SIGN FINAL CONTRACT UNTIL USG AND/OR GD AGREE TO MEET 25,000 MAN YEAR FIGURE, IF NECESSARY BY PLACING ORDERS IN THE NETHERLANDS FOR ITEMS UNRELATED TO F-16. THIS ECHOES GON INTEREST IN CAPITALIZING ON USG GOODWILL FLOWING FROM F-16 PURCHASE TO PROMOTE SALE OF DUTCH EQUIPMENT TO USG ENTITIES (REF C).

5. COMMENT: IT IS WORTH NOTING ONCE AGAIN (REF B) THAT THE OFFSET COMMITMENT IS STATED IN DOLLARS AND NOT MAN YEARS OF EMPLOYMENT. NEVERTHELESS, THE CONTINUED LIMITED OFFICIAL USE

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WELL-PUBLICIZED TRADE UNION CARPING COULD STRENGTHEN ALREADY PRESENT SUSPICION AMONG LABOR IN THE NETHERLANDS THAT THE USG MAY HAVE PULLED THE WOOL OVER DUTCH EYES WHEN SELLING THE F-16. WE HOPE THAT MOST OF THESE DOUBTS WILL DISAPPEAR ONCE CONTRACTS ARE SIGNED AND ACTUAL WORK BEGINS.

6. AS DUTCH HAD EARLIER SHOWN SOME SENSITIVITY AND

CONCERN TOWARD POSSIBILITY THAT USG MIGHT ATTEMPT
TO DOMINATE F-16 PROGRAM NEGOTIATIONS, RECENT
VISIT OF ASSISTANT SECRETARY OF DEFENSE SHRONTZ
(REF D) WAS VERY USEFUL IN REASSURING DUTCH BY
REEMPHASIZING THAT F-16 IS A PARTNERSHIP AND BY
REAFFIRMING USG INTENTIONS AND OPTIMISM. END COMMENT.
GOULD

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